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NATIONAL INTELLIGENCE DAILY CABLE

Saturday June 18, 1977

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, June 18, 1977.

The NID Cable is for the purpose of informing senior US officials.

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USSR: Brezhnev Speech

25X1 [] In his first speech as Chief of State, Brezhnev asserted yesterday that the Central Committee plenum in May had decided to combine the party post of General Secretary with that of Chairman of the Presidium of the USSR Supreme Soviet. The plenum resolution has not been published, and Brezhnev's formulation--a new one not contained in the draft constitution--makes it clear that he intends to retain both positions.

25X1 [] It is not clear whether this arrangement is an institutional one intended to apply to his successor as well, or only to Brezhnev himself. He did, however, offer as justification the concept of the move as a manifestation of the growth in the role of the party, hinting that he views it as an institutional arrangement. Brezhnev further justified combining the posts by alluding to the fact that he is one of several Politburo members who have been "dealing directly" with foreign and domestic affairs on the state level. The others include Premier Kosygin, KGB Chairman Andropov, Foreign Minister Gromyko, and Defense Minister Ustinov. He referred to the magnitude of his task and to the consequent need for continued collectivity in the leadership.

25X1 [] In addition, Brezhnev emphasized--as does the draft constitution--the increased importance of the Supreme Soviet, especially in its "control over the organs of the government." At the same time, he made special reference--the draft constitution does not--to the "exceptional role" of the Supreme Soviet's permanent commissions, one of which is headed by senior party secretary Suslov.

25X1 [] Again citing the draft constitution, Brezhnev referred to "about a dozen laws which must be adopted in the near future," among them a law on the Council of Ministers and one on people's control. The failure in the draft constitution to list the individual government ministries, as the old one did, suggested

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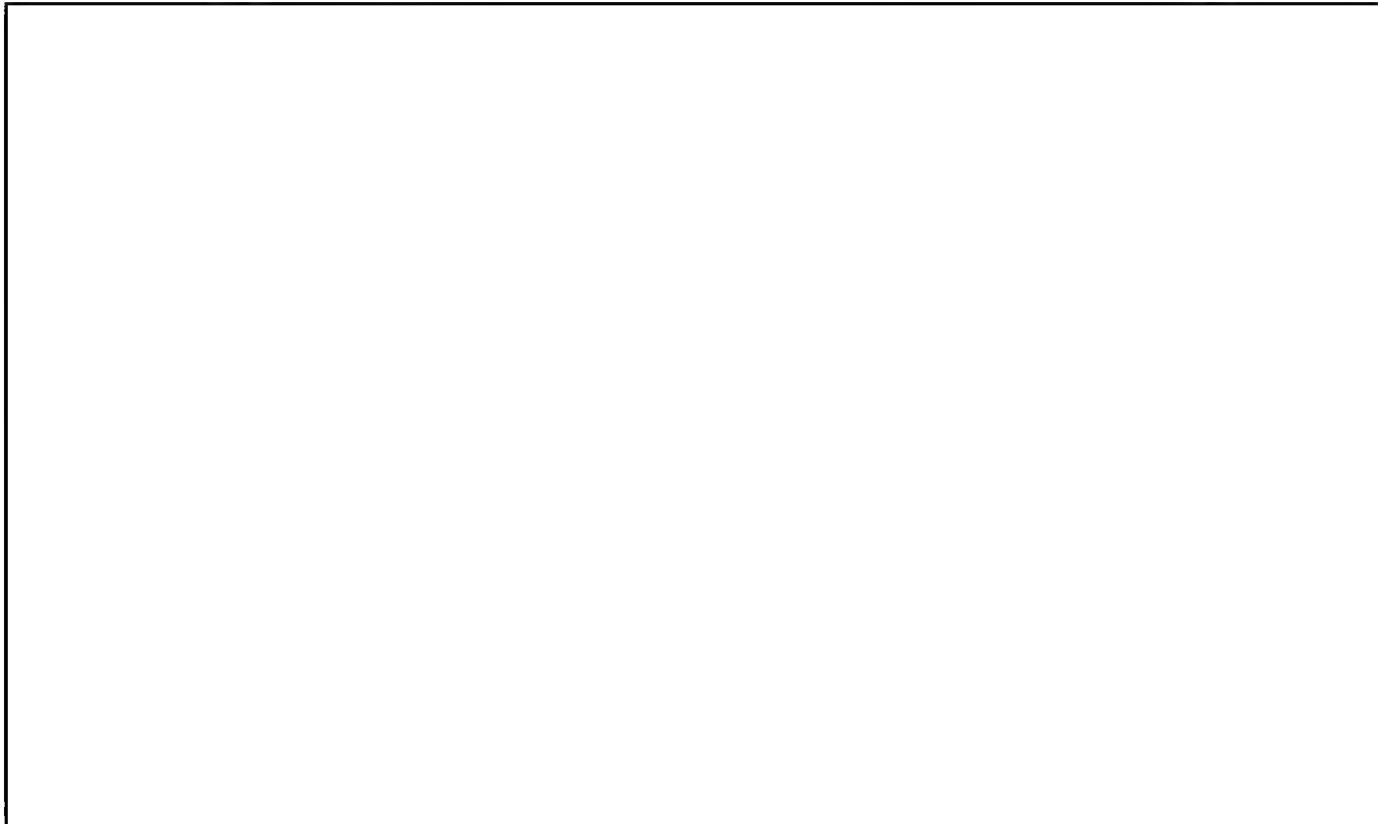
impending changes in the Council of Ministers. The system of people's control committees is, under the new constitution, to be transferred from the Council of Ministers to the Supreme Soviet. Brezhnev's reference to new laws on these two subjects suggests that he intends to push forward on these projects.

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WEST GERMANY: Government Problems

[Redacted] West German Chancellor Schmidt, whose center-left coalition suffered a near defeat on its controversial tax reform program two days ago, now faces a censure motion to be introduced by the opposition parties in the Bundestag next Tuesday. Passage of the motion would add to the Chancellor's embarrassment and exasperation.

[Redacted] The censure motion will charge that Schmidt allocated more than \$850 million in funds without parliamentary approval when he was finance minister in 1973. The government does not deny the charge, but asserts that Schmidt simply followed the practice of previous finance ministers. The funds reportedly were allocated to industries hit by the oil crisis in 1973, including the national railway and a government-owned steel firm.

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[] The issue arose when a recent court decision held that Schmidt had acted illegally. Opposition leader Kohl, who has come under periodic attack for his low-key leadership, may have decided that he could not avoid this opportunity to confront Schmidt.

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[] A censure motion is not as serious as a no confidence motion, which if passed would require the government to resign. The prospect of censure, nevertheless, would further upset Schmidt, who has become increasingly frustrated with the problems of leadership in recent months. His exasperation over dissension in his Social Democratic Party was so great earlier this week that he threatened to resign.

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[] The absence of a viable replacement for Schmidt will encourage government deputies to rally behind him even though some members of his Social Democratic Party in the Bundestag recently indicated that they believe the party should go into opposition in order to preserve the party's principles.

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[] Schmidt's party and its coalition partner, the Free Democratic Party, hold a 10-seat majority in the Bundestag.

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SUDAN: Release of Political Prisoners

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[redacted] //The Sudanese government is releasing some political prisoners as part of its continuing effort to reach a reconciliation with the country's major conservative opposition groups, especially the Ansar Islamic sect and the Muslim Brotherhood. Only low-level dissidents have been released to date, but the US embassy in Khartoum has learned that some prominent prisoners, including Muslim Brotherhood leader Hasan al-Turabi, may be freed next week.//

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[redacted] //Release of Ansar dissidents will improve the atmosphere for a meeting between President Numayri and exiled Ansar leader Sadiq al-Mahdi which is tentatively scheduled for June 27. Numayri hopes that reconciliation with Sadiq, who claims the allegiance of Ansar dissidents in Ethiopia and Libya, will neutralize the efforts of these governments to use the Ansars to overthrow him.//

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[redacted] //The release of political prisoners may eventually be expanded to include most non-communist opposition groups. We doubt that a general amnesty would include members of the Sudanese Communist Party, which continues to operate underground and still constitutes a long-term threat to the government. In the wake of Sudan's recent expulsion of Soviet military advisers and its demand for a sharp reduction in the Soviet embassy staff, Sudanese concern about Soviet manipulation of the party has probably increased.//

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25X1 [] //Although a reconciliation with conservative opposition groups would strengthen Numayri's domestic position, a broad amnesty for political prisoners could cause some strains in the leadership. A few close advisers like Abul Gassem, who directed the effort that crushed Ansar resistance inside Sudan in 1970, probably would oppose an amnesty on grounds that it would only generate more subversion. Numayri and most of his advisers apparently have concluded, however, that such moves will be popular and, on balance, decrease the threats to his government.//

25X1 [] //Although Numayri is releasing the prisoners for domestic political reasons, he probably hopes the action will be viewed by the US as a positive step on behalf of human rights in Sudan. He may hope such action will result in additional economic and military assistance from the US. [] 25X1

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YUGOSLAVIA: Prospective Payments Deficit

25X1 [] *Yugoslavia's current-account deficit in 1977 may exceed \$1 billion. Belgrade can easily cover the deficit this year, but funds may be difficult to raise in the future.*

25X1 [] Yugoslavia's trade imbalance through May was running at an annual rate of nearly \$4 billion, largely reflecting a deficit with hard-currency countries. More than \$2.7 billion of the annual trade deficit, however, would be offset by worker remittances and earnings from transportation and tourism, resulting in a current-account deficit that may exceed \$1 billion.

25X1 [] Such a deficit would increase the foreign debt significantly. Excess reserves of more than \$2 billion and available credits can easily cover the current-account deficit and the estimated \$1.2 billion in debt service payments this year. Such funds, however, may become increasingly difficult to raise in the private money market, which has financed over half of Yugoslavia's \$6.8-billion external debt.

25X1 [] The deterioration of Yugoslavia's terms of trade, slower growth in Western demand for Yugoslav exports, and a

cutback in Soviet purchases of Yugoslav goods have all contributed to the deficit. More important, following severe belt-tightening last year, Yugoslav economic policy has turned expansionary. The cost-of-living during January through April was up 15 percent over the same period in 1976.

Despite the high inflation rate, Yugoslavia has planned a large budget deficit. Attempts to reinstate last year's import and credit restrictions would aggravate unemployment and business losses.

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GUYANA-US: Relations

//Guyana's government has conducted a campaign over the last several months aimed at improving relations with the US in hopes of obtaining financial assistance. Guyanese leaders hope that Undersecretary of State Habib's visit to Guyana tomorrow will result in increased aid.

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After several years of strongly attacking US policies, Guyana has recently blunted explicit criticism of the US. Foreign Minister Wills and others have emphasized the efforts

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Guyana has made to come into line with US policies on such international issues as Puerto Rican independence. The Guyanese are optimistic that these steps, combined with the Carter administration's policies on southern Africa and on international economic issues, have gone a long way toward settling differences.

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[] Areas of potential friction between the US and Guyana persist, however. Despite his lingering suspicions that the Soviets and Cubans really prefer Guyana's orthodox Marxist leader, Cheddi Jagan, Burnham maintains close ties with Havana and Moscow. He looks to Cuba to train his security forces, and he recently signed separate economic, scientific, and technical cooperation agreements with the USSR and East Germany.

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[] In addition, Burnham is under strong pressure from the opposition not to make concessions to the US. This pressure was apparently largely responsible for the recent move by the Burnham government to get the US to terminate an agreement that gave the US the right to use the facilities at Timehri airfield.

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UNITED KINGDOM: Political Problems

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[] *//British Prime Minister Callaghan's minority Labor government faces a rocky political period over the next few weeks as Parliament prepares to recess in late July. Over the summer and fall, Callaghan must grapple with the prodigious task of keeping the Labor Party from dividing along pro- and anti-EC lines while attempting at the same time to maintain Liberal Party support of his government. If he fails to fashion an effective compromise, an election this fall will be inevitable.//*

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[] Callaghan has probably chosen the best available option for threading his way between anti-EC Laborites and pro-EC Liberals on the issue of direct elections to the European Parliament. He has decided to permit both cabinet members and Labor backbenchers a free vote on the principle of direct elections as well as on the type of electoral system to be used.

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25X1 [] This suspension of collective cabinet responsibility is limited; government members will be required to support all aspects of the implementing legislation after the second parliamentary reading of the bill. To stress this point, Callaghan declared that ministers who wish to speak or campaign against direct elections would have to resign. The US embassy in London believes that this course should prevent any key resignations from the cabinet and avoid a critical split among Labor MPs.

25X1 [] Anti-EC Laborites will probably try nevertheless to win passage of a resolution condemning British membership in the EC at the Labor Party's annual conference in October.

25X1 [] The Liberals have been strong proponents of election by proportional representation because they fare poorly in Britain's traditional simple majority system. They apparently expect the Labor government to offer active support for the proportional representation option in the direct elections bill when the legislation comes to the floor. The Liberal deal with Callaghan in March, however, called only for Labor to "take account" of the Liberal desire for proportional representation. Callaghan will be able to argue persuasively that the free vote on the electoral method is ample evidence of the government's good faith toward the Liberals.

25X1 [] Although the Liberals will sputter over Callaghan's handling of the direct elections legislation, they are unlikely to use it as a pretext to withdraw their support from the government.

25X1 [] The government plans to introduce the legislation soon, although it stands no chance of passage before the end of this parliamentary session. This procedure, however, will reduce the time needed to obtain final passage in the session that begins in November. Callaghan's plans would allow him to demonstrate to his colleagues at the EC summit late this month that he is endeavoring to fulfill his pledge to them on direct elections.

25X1 [] //On another matter of interest to the Liberals, the government formally announced this week that legislation granting greater autonomy to Scotland is dead for this session.

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A new bill will be introduced late this year or early next, but its chances are not much brighter. Callaghan's dilemma is that for every move he makes to satisfy Liberal desires for devolution legislation, he risks the ire of the anti-devolutionists in Parliament, not a small segment of whom belong to the Labor Party.//

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[REDACTED] //The Prime Minister, however, cannot afford to stand still because the Scottish Nationalists would almost certainly cite inaction as still another example of English inability to accommodate nationalist sentiment within the framework of the UK.//

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[REDACTED] //The government, meanwhile, was embarrassed earlier this week when two Labor members of Parliament sided with the opposition during committee debate and voted to alter substantially Labor's finance bill. The committee defeat would reduce government revenues by more than \$770 million.//

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[REDACTED] The committee position, if enacted, would not cause Britain to violate its budgetary agreement with the International Monetary Fund to reduce the public sector deficit. It would, however, reduce Chancellor Healey's negotiating flexibility with the Trades Union Congress. Prospects for continued wage restraint have dimmed considerably in recent week, but Healey may have hoped that by offering the trade unions a "mini-budget" package of reflationary measures later this summer or early fall, he could still produce an enforceable phase-three pay accord. [REDACTED]

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